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SUBJECT: MALCOLM TURNBULL NEW OPPOSITION LEADER

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11. (SBU) SUMMARY: In a leadership vote by the Liberal Party federal caucus on September 16, Shadow Treasurer Malcolm Turnbull beat incumbent Liberal Party Leader Brendan Nelson 45-41. He is now the head of the Liberal Party and Opposition Leader in the Parliament. After former Treasurer Peter Costello stated on September 11 that he had no interest in the Liberal leadership (reftel), it was generally assumed that the ambitious Turnbull would challenge Nelson before the end of the year. Nelson, sick of leadership speculation and hoping to catch Turnbull offguard, called for a vote on his leadership. The result is a defeat for the Right Wing of the Liberal Party, as well as for Costello, who campaigned for Nelson. Turnbull must now attempt to unite a divided party and choose a shadow ministry. END SUMMARY

NELSON SHOCKS COLLEAGUES

12. (SBU) At 5:00pm on September 15, Nelson shocked colleagues by calling a Liberal Party caucus meeting for 6:30pm that day. At that meeting, Nelson gave an emotional speech in which he lashed out at the "undermining" of his leadership and called for a tougher stance opposing the Government's plans on emissions trading. He announced that he would be declaring the leadership vacant at the following morning's regularly-scheduled caucus meeting. Later that evening, Turnbull confirmed he would be standing. The hastily-called ballot was evidently a tactic to catch Turnbull off-guard and limit his ability to accumulate support. Turnbull had just returned on Sunday, September 14, from a family holiday in Europe and he reportedly had no intention of launching a leadership challenge for at least two weeks. He had judged that it would be in his interest to be a team player during the media fallout from this week's launch of the Costello's memoirs.

GAME ON

13. (SBU) With less than a day until the ballot, Turnbull and his supporters refrained from addressing the media, instead assiduously working the phones to gather numbers. Nelson made few calls to supporters, relying primarily on his caucus speech, which both camps agree was one of his best. Several MPs publicly declared their support for Nelson, including Costello supporter (and former Costello adviser) Senator Mitch Fifield. Nelson's supporters argued that with Costello no longer looming in the background, Nelson deserved time to prove himself in "clean air." Costello himself, who has made no secret of his dislike for Turnbull, voted for Nelson, although he did not publicly reveal this.

TURNBULL TAKES OVER, NELSON GOES TO THE BACKBENCH

14. (SBU) Following a short meeting of Liberal MPs and Senators at 9:00am on September 16, it was announced that

Turnbull had defeated Nelson 45-41. At his press conference, Turnbull said he believed in the Liberal values of opportunity, freedom and fairness. He declared the role of government is to help people achieve their best, as opposed to Prime Minister Kevin Rudd who "believes government knows best." Turnbull also attacked the Rudd government's lack of "strong leadership" on the economy. He said he had asked Nelson to accept a position in the new shadow cabinet but the former Opposition Leader had declined the offer.

GOOD NEWS FOR THE LIBERAL PARTY

15. (SBU) COMMENT: This change will help the Liberal Party. Nelson showed no likelihood of improving in the polls, and a victory by him would not have ended leadership speculation. Qvictory by him would not have ended leadership speculation. Importantly, the media appear to regard Turnbull, unlike Nelson, as a serious contender. Turnbull was authoritative, forceful and persuasive at his press conference following the vote and he appears to many observers to have the intangible qualities of leadership that Nelson lacked. On the other hand, the impatient, abrasive Turnbull could learn from Nelson's consultative approach with his colleagues. Turnbull, having won by such a slim margin, will have to try to unite the Liberals, something Nelson (who defeated Turnbull by a similar margin last year) was unable to do.

16. (SBU) COMMENT CONTINUED: Turnbull is very popular with the business community and his election as leader (along with the ascension of the Liberals in Western Australia) should dramatically improve Liberal Party fundraising. Turnbull is a strong supporter of Australia becoming a republic, and in the 1990s famously led the republic fight, ultimately losing

CANBERRA 00000915 002 OF 002

to then Prime Minister John Howard. As Costello noted today at an event promoting his memoirs, a majority of Liberal Party members are monarchists and Turnbull will have to reconcile his beliefs with theirs, if he decides to pursue the issue. Turnbull, a social and economic liberal, will most likely stick closer to the government than Nelson did on climate change and social issues, but he will look for ways to differentiate the Opposition's position on emissions trading. His main weapon against the Rudd government will be economic management.

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